



COVIDIEN

Citi 2011 Global Healthcare Conference

Chuck Dockendorff | Chief Financial Officer

Forward-Looking Statements

This presentation contains certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements.

The forward-looking statements in this presentation may include statements addressing the following subjects: future financial condition and operating results, economic, business, competitive and/or regulatory factors affecting our business. Any of the following factors may affect our future results:

- Our ability to effectively introduce and market new products or keep pace with advances in technology
- The reimbursement practices of a small number of large public and private insurers
- Cost-containment efforts of customers, purchasing groups, third-party payors and governmental organizations
- Intellectual property rights disputes
- Complex and costly regulation, including healthcare fraud and abuse regulations and the Foreign Corrupt Practices Act
- Manufacturing or supply chain problems or disruptions
- Recalls or safety alerts and negative publicity relating to Covidien or its products

Forward-Looking Statements (cont.)

- Product liability losses and other litigation liability
- Prices for oil, gas and other commodities
- Divestitures of some of our businesses or product lines
- Our ability to execute strategic acquisitions of, investments in or alliances with other companies and businesses
- Competition
- Risks associated with doing business outside of the United States
- Foreign currency exchange rates
- Environmental remediation costs

These are examples of factors, among others, that could cause actual results to differ materially from those described in the forward-looking statements. In addition, our historical combined financial information is not necessarily representative of the results we would have achieved as an independent, publicly-traded company and may not be a reliable indicator of our future results. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements whether as a result of new information, future events or otherwise. More detailed information about these and other factors is set forth in Covidien's Annual Report on Form 10-K and other periodic filings with the SEC.

Long-term Financial Goals

Mid-single digit sales growth

Double-digit EPS growth

- Increase gross margin
- Improve operating margin
- Leverage SG&A
- Lower effective tax rate

Leveraging cash flow for long-term profitable growth

- Investments in R&D, acquisitions
- Interest reduction; stock buyback

Balance short-term growth and long-term investment

What's Going Well For Us...

Increased investments have strengthened Covidien

- Selling & marketing → Expanded global sales force
- Research & development → Accelerated new product launches

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Executed planned portfolio optimization

Portfolio Optimization Since Spin

Acquisitions

Bacchus Vascular

VNUS Medical Technologies

Aspect Medical Systems

ev3

Somanetics

Divestitures

Retail products

European incontinence

Sleep therapy

Sleep diagnostics

Oxygen therapy

U.S. nuclear pharmacies

Specialty chemicals

What's Going Well For Us...

Increased investments have strengthened Covidien

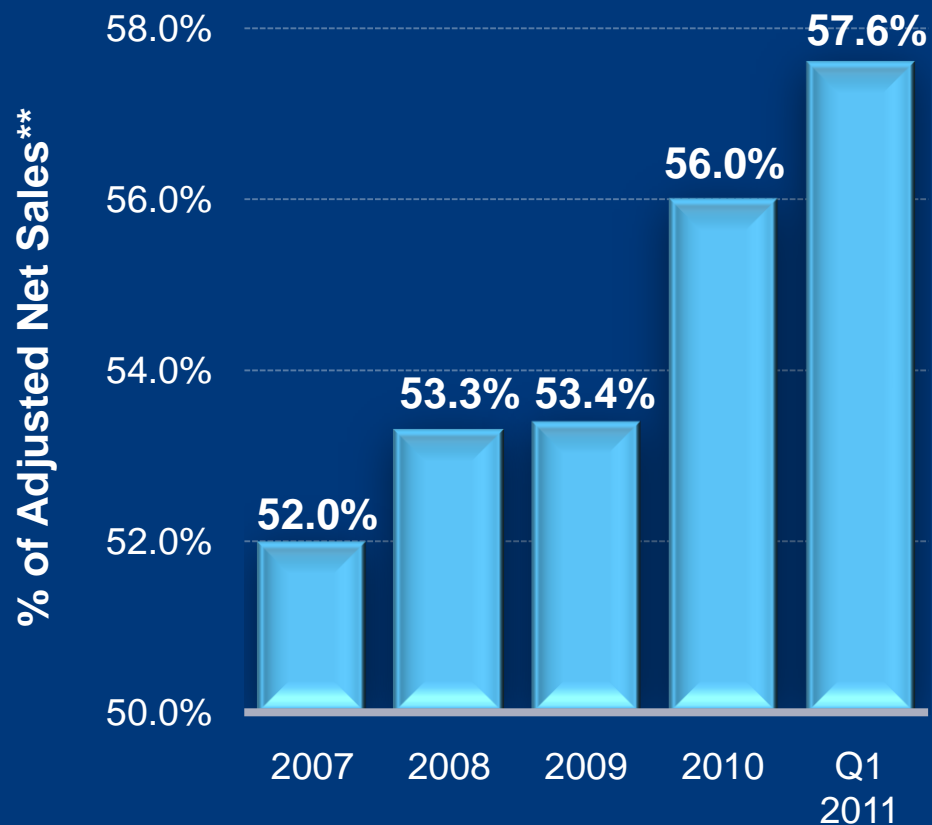
- Selling & marketing → Expanded global sales force
- Research & development → Accelerated new product launches

Executed planned portfolio optimization

Improved gross and operating margins

Margin Expansion

Adjusted Gross Margin*



Adjusted Operating Margin*



* Adjusted gross margin and adjusted operating margin are non-GAAP measures. See Appendix for reconciliation.

** Sales adjusted to exclude Oxy ER.

What's Going Well For Us...

Increased investments have strengthened Covidien

- Selling & marketing → Expanded global sales force
- Research & development → Accelerated new product launches

Executed planned portfolio optimization

Improved gross and operating margins

Implemented tax planning strategies to lower tax rate

What's Going Well For Us...

Increased investments have strengthened Covidien

- Selling & marketing —————> Expanded global sales force
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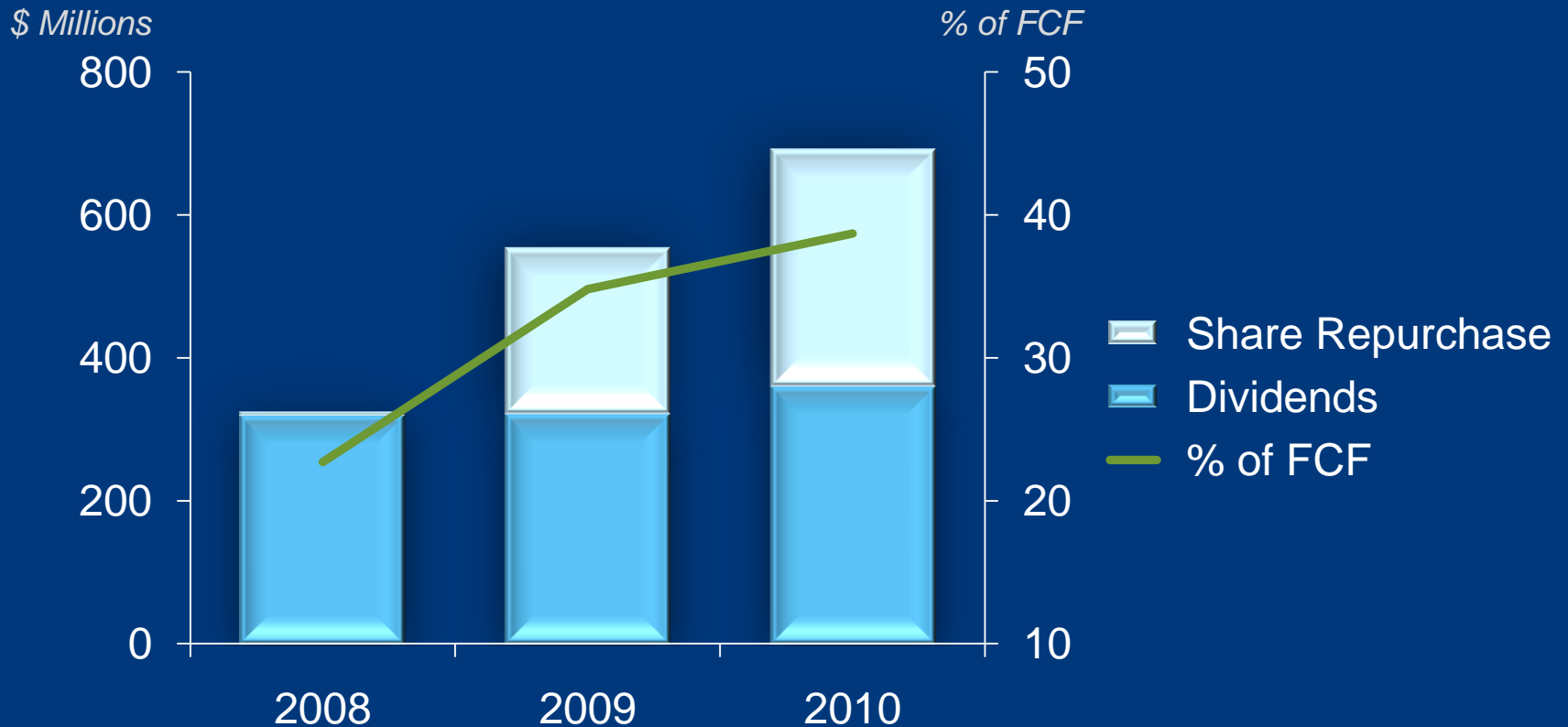
Executed planned portfolio optimization

Improved gross and operating margins

Implemented tax planning strategies to lower tax rate

Expanded share repurchase program and multiple dividend increases

Cash Returned to Shareholders



Targeting return of 25% to 40% of free cash flow to shareholders

FCF = free cash flow. Free cash flow is a non-GAAP measure. See Appendix for reconciliation.



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Appendix

2007 Financial Results

<i>\$ Millions</i>	2007	Non-GAAP Adjustments	2007 As Adjusted
Net Sales	\$8,895		\$8,895
Gross Profit	4,622		4,622
<i>% of Sales</i>	52.0%		52.0%
Selling, Gen'l & Admin	2,446		2,446
<i>% of Sales</i>	27.5%		27.5%
R&D expenses	260		260
<i>% of Sales</i>	2.9%		2.9%
In-process R&D	38	(\$38)	-
Restructuring charges	57	(57)	-
Class action settlements	1,202	(1,202)	-
Intangible impairments	<u>34</u>	<u>(34)</u>	<u>-</u>
Operating income	\$ 585	\$1,331	\$1,916
<i>% of Sales</i>	6.6%		21.5%

2007 Financial Results

<i>\$ Millions, except per share amounts</i>	2007	Non-GAAP Adjustments	2007 As Adjusted
Operating income	\$ 585	\$1,331	\$1,916
Net interest expense	(153)		(153)
Other income / (expense)	<u>(135)</u>	<u>155</u>	<u>20</u>
Pre-tax income	297	1,486	1,783
<i>Tax Rate</i>	155.6%		26.5%
Income tax expense	<u>462</u>	<u>10</u>	<u>472</u>
Income/(loss) from cont. ops.	(\$165)	\$1,476	\$1,311
Diluted earnings/(loss) per share*	(\$0.33)	\$2.96	\$2.63

* From continuing operations

2008 Financial Results

<i>\$ Millions</i>	2008	Non-GAAP Adjustments	2008 As Adjusted
Net Sales	\$9,910	\$(57)	\$9,853
Gross Profit	5,309	(56)	5,253
<i>% of Sales</i>	53.6%		53.3%
Selling, Gen'l & Admin*	2,881	(9)	2,872
<i>% of Sales</i>	29.1%		29.1%
R&D expenses	341		341
<i>% of Sales</i>	3.4%		3.5%
In-process R&D	22	(22)	-
Restructuring charges	77	(77)	-
Shareholder settlements	42	(42)	-
Operating income	<u>\$1,946</u>	<u>\$ 94</u>	<u>\$2,040</u>
<i>% of Sales</i>	19.6%		20.7%

* \$9MM SG&A adjustment relates to Oxy ER.

2008 Financial Results

<i>\$ Millions, except per share amounts</i>	2008	Non-GAAP Adjustments	2008 As Adjusted
Operating income	\$1,946	\$ 94	\$2,040
Net interest expense	(166)		(166)
Other income	<u>199</u>	<u>(193)</u>	<u>6</u>
Pre-tax income	1,979	(99)	1,880
<i>Tax Rate</i>	27.1%		29.3%
Income tax expense	<u>536</u>	<u>14</u>	<u>550</u>
Income from continuing operations	\$1,443	(\$113)	\$1,330
Diluted earnings per share*	\$2.86	(\$0.23)	\$2.63

* From continuing operations

2009 Financial Results

<i>\$ Millions</i>	2009	Non-GAAP Adjustments	2009 As Adjusted
Net Sales	\$10,263	\$(354)	\$9,909
Gross Profit	5,641	(346)	5,295
<i>% of Sales</i>	55.0%		53.4%
Selling, Gen'l & Admin*	3,042	(169)	2,873
<i>% of Sales</i>	29.6%		29.0%
R&D expenses**	427	(30)	397
<i>% of Sales</i>	4.2%		4.0%
In-process R&D	115	(115)	-
Restructuring charges	61	(61)	-
Shareholder settlements	<u>183</u>	<u>(183)</u>	<u>-</u>
Operating income	\$1,813	\$212	\$2,025
<i>% of Sales</i>	17.7%		20.4%

* \$169MM SG&A adjustment includes \$94MM legal and \$53MM environmental charges, \$21MM loss on divestitures and \$1MM Oxy ER.

** The \$30MM R&D adjustment includes upfront fees and milestone payments for Pharmaceuticals licensing agreements.

2009 Financial Results

<i>\$ Millions, except per share amounts</i>	2009	Non-GAAP Adjustments	2009 As Adjusted
Operating income	\$1,813	\$212	\$2,025
Net interest expense	(151)		(151)
Other income	<u>145</u>	<u>(126)</u>	<u>19</u>
Pre-tax income	1,807	86	1,893
<i>Tax Rate</i>	47.9%		25.9%
Income tax expense	<u>865</u>	<u>(375)</u>	<u>490</u>
Income from continuing operations	\$ 942	\$461	\$1,403
Diluted earnings per share*	\$1.86	\$0.92	\$2.78

* From continuing operations

2010 Financial Results

<i>\$ Millions</i>	2010	Non-GAAP Adjustments	2010 As Adjusted
Net Sales	\$10,429		\$10,429
Gross Profit*	5,805	\$33	5,838
<i>% of Sales</i>	55.7%		56.0%
Selling, Gen'l & Admin**	3,219	(89)	3,130
<i>% of Sales</i>	30.9%		30.0%
R&D expenses	447		447
<i>% of Sales</i>	4.3%		4.3%
Restructuring charges	<u>76</u>	<u>(76)</u>	<u>-</u>
Operating income	\$2,063	\$198	\$2,261
<i>% of Sales</i>	19.8%		21.7%

* \$33MM Gross profit adjustment relates to charge in cost of good sold for acquisition inventory that had been written up to fair value.

** \$89MM SG&A adjustment relates to \$33MM in legal charges, \$25MM loss on divestitures and \$31MM of transaction costs.

2010 Financial Results

<i>\$ Millions, except per share amounts</i>	2010	Non-GAAP Adjustments	2010 As Adjusted
Operating income	\$2,063	\$198	\$2,261
Net interest expense	(177)	13	(164)
Other income	<u>40</u>	<u>(21)</u>	<u>19</u>
Pre-tax income	1,926	190	2,116
<i>Tax Rate</i>	18.8%		19.5%
Income tax expense	<u>363</u>	<u>50</u>	<u>413</u>
Income from continuing operations	\$1,563	\$140	\$1,703
Diluted earnings per share*	\$3.10	\$0.28	\$3.38

* From continuing operations

Q1 2011 Financial Results

<i>\$ Millions</i>	Q1 2011	Non-GAAP Adjustments	Q1 2011 As Adjusted
Net Sales	\$ 2,769		\$ 2,769
Gross Profit*	1,571	\$24	1,595
<i>% of Sales</i>	56.7%		57.6%
Selling, Gen'l & Admin	861		861
<i>% of Sales</i>	31.1%		31.1%
R&D expenses	119		119
<i>% of Sales</i>	4.3%		4.3%
Restructuring charges	53	(53)	-
Shareholder settlement**	<u>(11)</u>	<u>11</u>	<u>-</u>
Operating income	\$ 549	\$ 66	\$ 615
<i>% of Sales</i>	19.8%		22.2%

* \$24MM Gross profit adjustment relates to charge in cost of good sold for acquisition inventory that had been written up to fair value.

** \$11MM income

Q1 2011 Financial Results

<i>\$ Millions, except per share amounts</i>	Q1 2011	Non-GAAP Adjustments	Q1 2011 As Adjusted
Operating income	\$ 549	\$ 66	\$ 615
Net interest expense	(47)		(47)
Other income	<u>13</u>		<u>13</u>
Pre-tax income	515	66	581
<i>Tax Rate</i>	16.1%		18.4%
Income tax expense	<u>83</u>	<u>24</u>	<u>107</u>
Income from continuing operations	\$ 432	\$ 42	\$ 474
Diluted earnings per share*	\$0.87	\$0.08	\$0.95

* From continuing operations

Free Cash Flow Reconciliation

<i>\$ Millions</i>	Net cash provided by continuing <u>operating activities</u>	Class Action and shareholder <u>settlements</u>	Less Capital <u>expenditures</u>	Free cash flow
2006*	\$1,335		\$432	\$903
2007	2,096		356	1,740
2008	591	1,257	409	1,439
2009	1,829	151	384	1,596
2010	2,185		401	1,784
Q1 2011	209		87	122

* 2006 not restated for subsequent discontinued operations.

Non-GAAP Financial Measures

This presentation discusses measures which may be considered “non-GAAP” financial measures under applicable Securities and Exchange Commission rules and regulations. These non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with generally accepted accounting principles. The definition of these non-GAAP measures may differ from similarly titled measures used by others.

The Company generally uses non-GAAP financial measures to facilitate management’s internal comparisons to Covidien’s historical operating results, to competitors’ operating results, and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making, including to evaluate Covidien’s operating performance and to determine management incentive compensation.

The Company presents its operating margin forecast before special items to give investors a perspective on the expected underlying business results. Because the Company cannot predict the timing and amount of such items and the associated charges or gains that will be recorded in the Company’s financial statements, it is difficult to include the impact of those items in the forecast.

The following is a list of the non-GAAP financial measures which may be discussed in this presentation:

Adjusted Net Sales: Net sales excluding sales of oxycodone hydrochloride extended-release tablets (Oxy ER).

Adjusted Operating Income: Operating income excluding Oxy ER and excluding charges or income for class action and shareholder settlements, net of insurance recoveries, restructuring charges, legal settlements, licensing fees, loss on divestiture, environmental charges, transaction costs and in-process R&D.

Adjusted Operating Income Margin: Adjusted Operating Income / Adjusted Net Sales (expressed as a percentage).

Free Cash Flow: Net cash provided by continuing operating activities excluding class action and shareholder settlements minus capital expenditures.

Operational sales growth: Year over year adjusted net sales increase excluding the impact of foreign exchange, expressed as a percentage.

Return on Invested Capital (ROIC): Adjusted income from continuing operations plus after-tax interest expense divided by total assets less total liabilities. Total assets exclude cash and cash equivalents, notes receivable and tax related assets. Total liabilities exclude tax related liabilities and debt.

Additional information is available in the Investor Relations section of our website www.covidien.com